

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

First-Class Mail and Periodicals  
Service Standard Changes, 2021

Docket No. N2021-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

(Issued May 14, 2021)

Pursuant to Order No. 5888<sup>1</sup> and 39 C.F.R. § 3020.118, the Postal Service is requested to respond to the following questions to clarify the record on its request for an advisory opinion under 39 U.S.C. § 3661(c) regarding First-Class Mail and Periodicals Service Standard Changes.<sup>2</sup> To facilitate inclusion of the requested material in the evidentiary record, the Postal Service shall have a witness attest to the accuracy of the answers. For each question, produce every document (including any calculations, analysis, assumptions, studies, or workpapers) that were used, relied upon, or referenced in preparing the response. Responses shall be provided as soon as they are available, but no later than May 21, 2021.

The following questions are directed to the Postal Service (if redirected to a witness please indicate in the response header).

1. Please confirm that the Postal Service's proposal provides longer processing and transportation windows for affected mail volumes.

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<sup>1</sup> Order Designating Presiding Officer, May 7, 2021 (Order No. 5888).

<sup>2</sup> United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, April 21, 2021 (Request).

- a. If confirmed, please explain how these longer processing and transportation windows do not result in any estimated cost savings in cost segments associated with mail processing.
  - b. If confirmed, please describe how the longer windows may balance workload and reduce overtime and premium pay.
  - c. If not confirmed, please explain.
2. Please refer to the United States Postal Service Office of Inspector General, Report No. 21-071-R21, Excessive Wait Times to Accept Commercial Mail Shipments at the Cleveland Processing & Distribution Center, March 10, 2021 (OIG Report No. 21-071-R21).<sup>3</sup> In the report, the Office of Inspector General (OIG) observed gridlock conditions at the Cleveland Processing and Distribution Center on December 11, 2020, December 15, 2020, and December 16, 2020. *OIG Report No. 21-071-R21 at 2.* Specifically, the plant experienced issues accepting additional mail, including drop shipments, because previously accepted mail had reached the dock doors. *Id.* The *OIG* found that “Cleveland P&DC management did not communicate the need for a redirect to Postal Service Headquarters timely and, once management implemented the temporary redirect, it was not recorded accurately in the [Facility Access and Shipment Tracking] system.” *Id.* Please also refer to United States Postal Service Office of Inspector General, Report No. 21-075-R21, Management of Highway Contract Route Contractor Failures at the New Jersey International Network Distribution Center, March 30, 2021 (OIG Report No. 21-075-R21).<sup>4</sup> In that report, the *OIG* found that from January 1 to December 31, 2020, the New Jersey International Network Distribution Center had 14,321 late trips, with 11,213 of the late trips being attributed to contractor failures. *OIG Report No. 21-075-R21 at 3.* Please describe what steps the Postal Service will take in advance of implementation of

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<sup>3</sup> Available at <https://www.uspsoig.gov/sites/default/files/document-library-files/2021/21-071-R21.pdf> (accessed May 14, 2021).

<sup>4</sup> Available at <https://www.uspsoig.gov/sites/default/files/document-library-files/2021/21-075-R21.pdf> (accessed May 14, 2021).

its plan to address plant issues (such as described above) to ensure the new standards are met.

The following questions refer to witness Cintron's testimony (USPS-T-1):<sup>5</sup>

3. Please refer to USPS-T-1 at 10, where you state "we expect to require fewer surface transportation trips over a given period than we currently require." Further, "we do not anticipate increased challenges with respect to driver shortages/availability or motor vehicle accidents." *Id.* at 10 n.7. Please also refer to Daniella Genovese, *Truck Driver Shortage Affecting Deliveries Nationwide*, April 13, 2021, Fox Business<sup>6</sup> that indicates the shortage is expected to grow in coming years, and will require approximately 1.1 million additional drivers over 10 years to keep up with demand. Please explain the basis for your belief, and provide any supporting material necessary, that the Postal Service will not face challenges with respect to driver shortages after the proposal is implemented.
4. Please describe and provide results of any operational tests at the Postal Service performed (and whether those tests were conducted during peak season) used to demonstrate the Postal Service can meet its proposed standards.
5. Please refer to USPS-T-1 at 10, where you describe Postal Service difficulties in using the air transportation due to weather delays.
  - a. Please explain the effect that weather delays may have on the surface transportation network, and how that might compare to the air transportation network.
  - b. Please provide any data or information the Postal Service has used to calculate the service impact of weather-related delays in the air or surface

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<sup>5</sup> Direct Testimony of Robert Cintron on Behalf of the United States Postal Service (USPS-T-1), April 21, 2021.

<sup>6</sup> Available at <https://www.foxbusiness.com/lifestyle/truck-drivers-shortage-2021> (accessed May 14, 2021).

transportation networks. If no such data or information exist, please describe the process the Postal Service uses to identify the impact of weather delays on service performance, and respond to those impacts.

6. Please refer to USPS-T-1 at 10, where you state, "...current average utilization of surface transportation capacity is 42 percent." Please explain how this number is calculated. Please confirm that this is the average capacity utilization for the first two quarters of FY 2021. If not confirmed, please explain what time period this number applies to.
  - a. Please provide a histogram of the distribution of the data used to calculate the 42 percent national average as well as key descriptive statistics including number of observations, median, mode, range, and standard deviation.
  - b. Please provide the average annual utilization of surface transportation from FY 2014 to FY 2020.
7. Please refer to USPS-T-1 at 29, where you state, "The network transportation changes discussed above would require some modifications to the Postal Service's mail processing operations. The Postal Service does not anticipate that the necessary mail processing changes, themselves, would materially affect cost or revenue."
  - a. Please provide a list of anticipated changes in mail processing operations anticipated at this time to be necessary as a result of this proposal.
  - b. Please provide an explanation of all analysis conducted, including any data analyzed, by the Postal Service that led to the conclusion, "The Postal Service does not anticipate that the necessary mail processing changes, themselves, would materially affect cost or revenue." If no formal analysis was conducted, please explain the basis for the statement.
8. Please refer to USPS-T-1 at 32, where you state "Because the Postal Service anticipates cost savings as a result of these changes, there will likely be fewer total expenses related to contracted transportation of mail." Please identify or

provide all data and analyses used to support the evaluation of lower contracted transportation expenses as “likely.”

The following question refers to witness Whiteman’s testimony (USPS-T-2):<sup>7</sup>

9. Please refer to USPS-T-2 at 14. The Postal Service estimates annual net savings of \$279.6 million, less the estimated net decrease in annual contribution of \$104.8 million, for an annual estimated improvement in net income of \$174.8 million.
  - a. Please discuss whether the Postal Service has calculated implementation costs for the proposed changes.
  - b. Please provide any documentation and calculation for the implementation costs, if available.

The following questions refer to witness Hagenstein’s testimony (USPS-T-3):<sup>8</sup>

10. Please refer to USPS-T-3 at 6, where you state “This portion of my testimony describes the evaluation of how the proposed service standard modification allows for additional transport time and increased efficiencies across the network for FCM and end-to-end Periodicals.”
  - a. Please define “efficiencies across the network” as used in this sentence.
  - b. Please identify any inefficiencies you suspect may occur due to the proposed changes.
11. Please refer to USPS-T-3 at 7, where you state, “The iterative process first created a model to optimize the current surface pairs....” Please explain whether

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<sup>7</sup> Direct Testimony of Curtis Whiteman on Behalf of the United States Postal Service (USPS-T-2), April 21, 2021.

<sup>8</sup> Direct Testimony of Stephen B. Hagenstein on Behalf of the United States Postal Service (USPS-T-3), April 21, 2021.

this first iterative step or any subsequent iterative steps in the transportation model altered the number or location of processing facilities, or whether the facilities/nodes in the transportation network reflect the current number and location of facilities/nodes remained constant through all iterations of the model?

12. Please refer to USPS-T-3 at 8.
  - a. Please explain how you calculated the estimated costs for surface trips (\$2.50 per mile) and air transportation (\$7.50 per cubic foot).
  - b. Please provide calculations for estimated costs of surface trips and air transportation annually from FY 2015 through FY 2020.
13. Please refer to USPS-T-3 at 10 and 15, where you indicate that volume conversions to All Purpose Containers were limited to 75 percent capacity to prevent unrealistic containerizations of 100 percent capacity.
  - a. Please explain why 75 percent capacity is a realistic assumption.
  - b. Please provide any quantitative support developed to support the 75 percent assumption.
14. Please refer to USPS-T-3 at 13, where you explain that many mail processing facilities are not able to dispatch mail by 02:00 because they are not capable of dispatching that early. Please explain the reasons why a facility would not be capable of meeting a 02:00 dispatch time.
15. Please refer to USPS-T-3 at 14, where you state that the proposed standards will allow for up to 4 hours to conduct a transfer at a hub facility.
  - a. Please provide a national average (or estimate with an explanation if no average is available) of the current time required to execute a hub transfer.
  - b. If the average or estimate is calculated, please provide all source material used to make that calculation.

16. Please refer to USPS-T-3 at 15, where you identify a number of modelling constraints, such as “[m]ulti-stop trips were allowed with a maximum of two extra stops,” and “trips were structured as ‘all picks and one drop’ or as ‘all drops and one pick.’” Please explain how each of these assumptions compares to the reality of the Postal Service’s existing transportation network.

The following questions refer to witness Monteith’s testimony (USPS-T-4):<sup>9</sup>

17. Please refer to USPS-T-4 at 19, where you state “the proposed changes may improve customer satisfaction....” Please provide any quantitative or qualitative studies that may have contributed to this conclusion beyond the appendixes provided as part of the testimony.
18. Please refer to USPS-T-4 at 20, where you reference a USPS OIG survey conducted in 2019 that demonstrated 71 percent of respondents expected their sent mail to arrive in 7 days. Are you aware of any intervening research, from any source, that may indicate different customer expectations since the 2019 survey?
19. Please refer to USPS-T-4 at 23, where you discuss soliciting input from election mailers. Please describe the Postal Service’s specific communication plan and outreach with regard to election mail with regard to the proposed changes.

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<sup>9</sup> Direct Testimony of Steven W. Monteith on Behalf of the United States Postal Service (USPS-T-4), April 21, 2021.

The following question refers to witness Thress's testimony (USPS-T-5):<sup>10</sup>

20. Please refer to USPS-T-5 at 25.

- a. Please provide a general explanation of how you assess the goodness-of-fit of each of the econometric models discussed in your testimony.
- b. Please explain how well the model you have provided fits the actual data provided from the years 2015 to 2017. To the extent that any differences exist, what is the difference between the predicted and actual dependent variables for each of those years?

Christopher Laver  
Presiding Officer

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<sup>10</sup> Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), April 21, 2021.